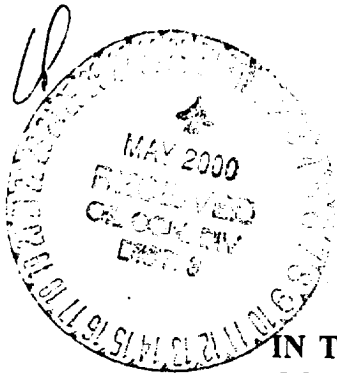




STATE OF NEW MEXICO
ENERGY, MINERALS AND NATURAL RESOURCES DEPARTMENT
OIL CONSERVATION DIVISION

CASE NO. 12345
ORDER NO. R-11383

IN THE MATTER OF THE HEARING CALLED BY THE NEW MEXICO OIL CONSERVATION DIVISION ("DIVISION") THROUGH THE SUPERVISOR OF THE DIVISION DISTRICT III IN AZTEC, NEW MEXICO ON ITS OWN MOTION FOR AN ORDER: (I) REQUIRING A. P. A. DEVELOPMENT, INC. TO PROPERLY PLUG AND ABANDON THREE CERTAIN WELLS IN SAN JUAN COUNTY, NEW MEXICO; OR (II) AUTHORIZING THE DIVISION TO PLUG AND ABANDON THESE WELLS, AND ORDERING A FORFEITURE OF ANY PLUGGING BOND(S) COVERING THESE WELLS.

ORDER OF THE DIVISION

BY THE DIVISION:

This case came on for hearing at 8:15 a.m. on February 17, 2000, at Santa Fe, New Mexico, before Examiner Michael E. Stogner.

NOW, on this 22nd day of May, 2000, the Division Director, having considered the testimony, the record, and the recommendations of the Examiner,

FINDS THAT:

(1) Due public notice has been given and the Division has jurisdiction of this case and its subject matter.

(2) A. P. A. Development, Inc. of Cortez, Colorado ("A. P. A.") is the current owner and operator of the following three wells located in Township 21 North, Range 10 West, NMPM, San Juan County, New Mexico:

- (a) Santa Fe Barbs Well No. 1 (API No. 30-045-23227), located 990 feet from the South line and 500 West line (Unit M) of Section 10;
- (b) Santa Fe Leggs Well No. 1 (API No. 30-045-22633), located 990 feet from the South line and 2310 feet from the East line (Unit O) of Section 11; and
- (c) Santa Fe Leggs Well No. 2 (API No. 30-045-23027), located 990 feet from the South line and 2310 feet

from the West line (Unit N) of Section 11.

(3) A. P. A., as operator, has posted two cash one-well plugging bonds each in the amount of \$7,500.00 in a certificate of deposit with the First National Bank of Farmington, Farmington, New Mexico, assigned to the Division for the Santa Fe Barbs Well No. 1 (Bond No. OCD-238) and the Santa Fe Leggs Well No. 2 (Bond No. OCD-246).

(4) The remaining Santa Fe Leggs Well No. 1 has no plugging bond.

(5) The purpose of a one-well cash plugging bond is to assure the Division that the well covered by that bond will be properly plugged and abandoned when not capable of commercial production or no longer utilized for some other beneficial purpose.

(6) At this time, the Division seeks an order directing the operator to plug these wells in accordance with a Division-approved plugging program and, if the operator fails to do so, authorizing the Division to proceed to plug and abandon these wells and: (i) declare forfeiture of A. P. A.'s cash bonds held by the First National Bank of Farmington and order foreclosure; (ii) order the recovery of any costs of plugging these wells in excess of the amount of these bonds from A. P. A.; and (iii) impose fines on the operator for failure to comply with this order.

(7) A representative of the Division's district office in Aztec (District III) presented evidence supporting its position that the subject wells should be plugged and abandoned.

(8) The operator did not appear at the hearing.

(9) The two Santa Fe Leggs Wells were drilled and completed as oil producers in the Leggs-Entrada Oil Pool. Neither well has produced hydrocarbons or otherwise been active for more than one year, and no permit for temporary abandonment has been requested by the operator or approved by the Division.

(10) The Santa Fe Barbs Well No. 1 was drilled and completed as a salt water disposal well under authority of Division Administrative Order SWD-213 dated December 8, 1978. This well has been inactive for more than one year, and no permit for temporary abandonment has been requested by the operator or approved by the Division.

(11) By virtue of the failure to use the subject wells for beneficial purposes or to have approved temporary abandonment permits, the subject wells are presumed to have been abandoned by A. P. A.

(12) The current condition of these wells is such that if action is not taken to properly plug and abandon these wells, waste will probably occur, correlative rights will also be violated, livestock and wildlife may be subject to harmful contaminants, and/or fresh waters will be in danger of contamination.

(13) In order to prevent waste and protect correlative rights and fresh waters the three above-described wells should be plugged and abandoned by A. P. A. in accordance with a program approved by the supervisor of the Division's Aztec District Office on or before June 30, 2000.

(14) Should A. P. A. not meet this June 30, 2000 plugging obligation, the Division Director should then be authorized to take such action as is deemed necessary to foreclose on the subject plugging bond and recover from the operator any costs in excess of the amount of the bond to help defer such plugging cost accrued by the Division.

IT IS THEREFORE ORDERED THAT:

(1) A. P. A. Development, Inc. ("A. P. A.") of Cortez, Colorado is hereby ordered to plug and abandon the following described three wells all located in Township 21 North, Range 10 West, NMPM, San Juan County, New Mexico on or before June 30, 2000:

- (a) Santa Fe Barbs Well No. 1 (API No. 30-045-23227), located 990 feet from the South line and 500 West line (Unit M) of Section 10;
- (b) Santa Fe Leggs Well No. 1 (API No. 30-045-22633), located 990 feet from the South line and 2310 feet from the East line (Unit O) of Section 11; and
- (c) Santa Fe Leggs Well No. 2 (API No. 30-045-23027), located 990 feet from the South line and 2310 feet from the West line (Unit N) of Section 11.

(2) A. P. A., prior to plugging and abandoning the above-described wells, shall obtain from the supervisor of the Division's district office in Aztec, an approved plugging program and shall notify the Aztec district office of the date and time this work is to commence whereupon the Division may witness such work.

(3) Should A. P. A. fail or refuse to carry out such provisions in accordance with the terms of this order, the Division shall then take such actions as are necessary to have these wells properly plugged and abandoned. Further, the Division shall then be

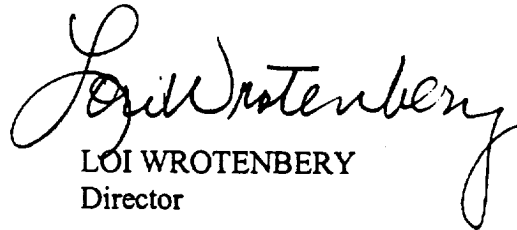
authorized to take such action as is deemed necessary to foreclose on the two \$7,500.00 one-well cash plugging bonds being held in a certificate of deposit with the First National Bank of Farmington, Farmington, New Mexico (Bonds No. OCD-238 and OCD-246) and to recover from the operator any costs in excess of the amount of these bonds to help defer such plugging cost incurred by the Division.

(4) Failure to comply with the provisions of this order shall subject A. P. A. to a fine of \$1,000.00 per day per well until such work is completed (see Section 70-2-31, NMSA 1978).

(5) Jurisdiction of this cause is retained for the entry of such further orders as the Division may deem necessary.

DONE at Santa Fe, New Mexico, on the day and year hereinabove designated.

STATE OF NEW MEXICO
OIL CONSERVATION DIVISION


LOI WROTENBERY
Director

SEAL